

**City of DeWitt**

**Downtown Development Authority  
Clinton County, Michigan**

**FINANCIAL STATEMENTS**

**June 30, 2008**

City of DeWitt

Downtown Development Authority

Clinton County, Michigan

June 30, 2008

BOARD OF DIRECTORS

Leanne M. Roman	Chairperson
Paul Hartlieb	Vice-Chairman
Fred Motz	Treasurer
Paul Hughes	Secretary
John P. Coscarelli	Director
Beth Herendeen	Director
Don Fletcher	Director
Linda Hundt	Director
Bill Sermak	Director
Jim Rundborg	Director/Mayor

City of DeWitt  
Downtown Development Authority  
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June 30, 2008

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Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA  
Alan D. Panter, CPA



**ABRAHAM & GAFFNEY, P.C.**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors  
City of DeWitt Downtown  
Development Authority  
DeWitt, Michigan

We have audited the financial statements of the governmental activities and the major fund of the City of DeWitt Downtown Development Authority, a component unit of the City of DeWitt, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents. These component unit financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the City of DeWitt Downtown Development Authority, a component unit of the City of DeWitt, Michigan, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

October 20, 2008

**City of DeWitt, Michigan  
Downtown Development Authority**

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**Management's Discussion and Analysis  
June 30, 2008**

This discussion and analysis of financial performance provides a comparison overview of the DDA's financial activities for FY 07-08 and 06-07. Please read this document in conjunction with the DDA's financial statements.

**Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for FY 07-08:

- Assets of the DDA exceeded its liabilities at the close of FY 07-08 by \$230,506.
- The DDA's total net assets increased by \$68,351 as a result of current year activity.

**Using this Annual Report**

This annual report consists of several financial statements. The statement of net assets and the statement of activities provide information about the activities of the DDA as a whole and present a longer-term view of the DDA's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view which reveals how resources were spent during the year and what resources are available for future spending. Fund financial statements also report the operations of the DDA in more detail than the government-wide financial statements by providing information about the DDA's most significant fund.

**The DDA as a Whole**

The following table shows, in condensed format, a comparison of net assets of the DDA as of June 30, 2008 and June 30, 2007.

	<u>07-08</u>	<u>06-07</u>
Assets		
Current assets	\$ 230,506	\$ 167,384
Liabilities		
Current liabilities	<u>-</u>	<u>5,229</u>
Net Assets		
Unrestricted	<u>\$ 230,506</u>	<u>\$ 162,155</u>

**City of DeWitt, Michigan  
Downtown Development Authority**

**Management's Discussion and Analysis  
June 30, 2008**

The following table shows the changes in net assets during the previous and current year.

	<u>07-08</u>	<u>06-07</u>
<b>Revenue</b>		
General revenue:		
Taxes	\$ 105,710	\$ 91,989
Interest	8,465	6,800
Miscellaneous	<u>4,312</u>	<u>2,536</u>
Total revenue	118,487	101,325
<b>Program Expenses</b>		
Contractual Services	20,409	14,436
Advertising & Promotion	16,854	16,121
Audit	900	850
Office supplies	185	160
Operating expenses	4,880	12,457
Other	161	30
Utilities	1,982	-
Improvements	<u>4,765</u>	<u>-</u>
Total expenses	<u>50,136</u>	<u>44,054</u>
<b>Change in Net Assets</b>	<u><u>\$ 68,351</u></u>	<u><u>\$ 57,271</u></u>

**Governmental Activities**

The DDA governmental revenues totaled \$118,487 with the largest revenue source being property taxes. Property taxes make up approximately 89% of the total governmental revenue.

The DDA incurred expenses of \$50,136 during the fiscal year, the two largest expenses being contractual services (\$20,409) and advertising and promotions (\$16,854). Contractual services represent approximately 40% and advertising and promotions represent approximately 33% of the annual expenses.

**Capital Asset Administration**

The DDA does not own or maintain any capital assets.

**Long-Term Debt**

The DDA does not have any long-term debt.

**Contacting the DDA**

This financial report is intended to provide citizens, taxpayers, customers, and investors with the general overview of the DDA's finances and demonstrate the DDA's accountability for the money it receives. If you have any questions about this report or need any additional information, we welcome you to contact the City of DeWitt, 414 East Main Street, DeWitt, MI 48820.

## **BASIC FINANCIAL STATEMENTS**

City of DeWitt  
Downtown Development Authority

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS

June 30, 2008

	Special Revenue Fund	Adjustments	Statement of Net Assets
	<u>                    </u>	<u>                    </u>	<u>                    </u>
ASSETS			
Cash and cash equivalents	\$ 230,506	\$ -0-	\$ 230,506
	<u>                    </u>	<u>                    </u>	<u>                    </u>
LIABILITIES	\$ -	\$ -	\$ -
	<u>                    </u>	<u>                    </u>	<u>                    </u>
FUND BALANCE/NET ASSETS			
Fund Balance			
Unreserved - undesignated	230,506	(230,506)	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES AND FUND BALANCE	\$ 230,506	-	-0-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
NET ASSETS			
Unrestricted		\$ 230,506	\$ 230,506
		<u>                    </u>	<u>                    </u>

See accompanying notes to the financial statements.



City of DeWitt  
Downtown Development Authority

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE/STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

	Special Revenue Fund	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES			
Current			
Contractual services	\$ 20,409	\$ -	\$ 20,409
Advertising and promotions	16,854	-	16,854
Audit	900	-	900
Operating expenses	4,880	-	185
Supplies	185	-	4,880
Other	161	-	161
Utilities	1,982	-	1,982
Improvements	4,765	-	4,765
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES/EXPENSES	50,136	-0-	50,136
PROGRAM REVENUES	<hr/> -	<hr/> -	<hr/> -
NET PROGRAM EXPENSE	50,136	-0-	50,136
GENERAL REVENUES			
Property taxes	105,710	-	105,710
Interest	8,465	-	8,465
Other	4,312	-	4,312
	<hr/>	<hr/>	<hr/>
TOTAL GENERAL REVENUES	118,487	-0-	118,487
NET CHANGE IN FUND BALANCE	68,351	(68,351)	-0-
CHANGE IN NET ASSETS	-0-	68,351	68,351
Fund balance/Net assets			
Beginning of year	<hr/> 162,155	<hr/> -	<hr/> 162,155
End of year	<hr/> \$ 230,506	<hr/> \$ -0-	<hr/> \$ 230,506

See accompanying notes to the financial statements

City of DeWitt  
Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE A: DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of DeWitt Downtown Development Authority was created on May 7, 1981, pursuant to Act 197 of the Public Acts of Michigan, 1975 as amended. The Authority has no stockholders, and all monies received are to be used for certain specified purposes in accordance with the City of DeWitt ordinance establishing the Authority.

The primary revenue of the City of DeWitt Downtown Development Authority is "tax increment revenue". The taxing units are required by law to transmit to the Authority that portion of the tax levy of all taxing bodies paid each year on the captured assessed value of all real and personal property located in the development area. The "captured assessed value" is basically defined as the amount in any one year by which the current assessed value of the project area exceeds the initial assessed value.

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority's more significant accounting policies are described below.

**1. Reporting Entity**

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements are exclusive presentations of the financial condition and results of operations of the City of DeWitt Downtown Development Authority. The Authority is considered a component unit of the City of DeWitt, Michigan and is discretely presented in the City of DeWitt's (the Primary Government) financial statements. A copy of the City's audited financial statements may be obtained at the DeWitt City Hall.

**2. Basis of Presentation**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net assets and the statement of activities (the government-wide statements) present information for the Authority as a whole.

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, adjustments are reflected on the face of the financial statements.

The statement of activities presents the direct functional expenses of the Authority and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest and property taxes and shows how governmental functions are either self-financing or supported by the general revenues of the Authority.

**FUND FINANCIAL STATEMENTS**

The Authority uses a single fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The governmental fund financial statements present the Authority's individual major fund.

City of DeWitt  
Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE A: DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Measurement Focus

FUND FINANCIAL STATEMENTS - CONTINUED

The major fund of the Authority is:

Special Revenue Fund - The general operating fund is used to account for all financial resources of the Authority which are restricted to expenditures for downtown development purposes.

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues which are considered measurable, but not available, are recorded as a receivable and deferred revenue. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

5. Budgets and Budgetary Accounting

The annual budget of the Authority prepared by Authority management and approved by the Board. Any revisions to the original budget are approved by the Board before the end of the fiscal year. The budget is prepared on the same modified accrual basis used to reflect actual results. This basis is consistent with accounting principles generally accepted in the United States of America.

6. Cash and Cash Equivalents

Cash consists of the Authority's checking and savings accounts. Cash equivalents consist of temporary investments in certificates of deposit with original maturities of 90 days or less.

7. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

City of DeWitt  
Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE B: CASH AND CASH EQUIVALENTS**

In accordance with Michigan Compiled Laws, the Authority is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States Banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Corporation or Government National Mortgage Association.

**Deposits**

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of June 30, 2008, the carrying amounts of the Authority's deposits were \$230,406 and the bank balance was \$233,182, which was fully insured by the FDIC. The Authority had \$100 of imprest cash on hand.

**Credit risk**

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). The Authority did not have any investments that were rated.

**Concentration of credit risk**

The Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

City of DeWitt  
Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED**

Custodial credit risk

The Authority will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Authority will do business in accordance with Board approved policy.

**NOTE C: RISK MANGEMENT**

The Authority, as a component unit of the City of DeWitt, is protected from losses as described in the note captioned "Risk Management" within the City's Annual Financial Report.

## **REQUIRED SUPPLEMENTARY INFORMATION**

City of DeWitt  
Downtown Development Authority

Special Revenue Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 100,000	\$ 105,710	\$ 105,710	\$ -0-
Interest and rent	7,400	7,800	8,465	665
Other	3,450	3,650	4,312	662
TOTAL REVENUES	110,850	117,160	118,487	1,327
EXPENDITURES				
Current				
Contractual services	20,000	23,000	20,409	2,591
Advertising and promotion	27,000	16,500	16,854	(354)
Audit	900	900	900	-0-
Operating expenses	9,700	11,330	4,880	6,450
Office supplies	500	210	185	25
Improvements	200,000	181,800	4,765	177,035
Utilities	-	2,000	1,982	18
Maintenance	2,000	-	-	-0-
Miscellaneous	300	60	161	(101)
TOTAL EXPENDITURES	260,400	235,800	50,136	185,664
NET CHANGE IN FUND BALANCE	(149,550)	(118,640)	68,351	186,991
Fund balance, beginning of year	162,155	162,155	162,155	-0-
Fund balance, end of year	\$ 12,605	\$ 43,515	\$ 230,506	\$ 186,991